

THE OFFICE OF REGULATORY STAFF
DIRECT TESTIMONY
OF
ROBERT A. LAWYER

August 15, 2008



DOCKET NO. 2008-3-E
ANNUAL REVIEW OF BASE RATES FOR
FUEL COSTS
DUKE ENERGY CAROLINAS, LLC

DIRECT TESTIMONY OF
ROBERT A. LAWYER
FOR
THE OFFICE OF REGULATORY STAFF
DOCKET NO. 2008-3-E
IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS
DUKE ENERGY CAROLINAS, LLC

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND
OCCUPATION.**

A. My name is Robert A. Lawyer. My business address is 1441 Main Street,
Suite 300, Columbia, South Carolina, 29201. I am employed by the Office of
Regulatory Staff ("ORS") in the Audit Department as an Auditor.

**Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND
EXPERIENCE.**

A. I received a B.S. Degree in Financial Management, with a concentration in
Corporate Finance, from Clemson University in May 1994. Prior to joining ORS,
I held a variety of positions in finance, accounting, auditing and management. I
began my employment as an auditor with ORS in April 2007 and have
participated in various cases involving the regulation of electric and water
utilities.

1 **Q. IS THIS YOUR FIRST TIME TESTIFYING BEFORE THIS**
2 **COMMISSION?**

3 **A.** Yes, it is.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 **A.** The purpose of my testimony is to present the results of ORS Audit
7 Staff's examination of the books and records pertaining to Duke Energy
8 Carolinas, LLC's ("the Company", "Duke" or "DEC") Fuel Adjustment Clause
9 ("FAC") operation for the current review period of July 2007 through September
10 2008 (Docket No. 2008-3-E). The findings of the examination are set forth below
11 and in the exhibits attached to this testimony.

12 **Q. DID THE NUMBER OF ACTUAL MONTHS' DATA CHANGE FOR THIS**
13 **CURRENT REVIEW PERIOD?**

14 **A.** Yes. The parties agreed to present eleven (11) actual months and four (4)
15 estimated months of fuel data for this review period. Limiting the review to
16 eleven (11) actual months will allow ORS and DEC to meet their respective filing
17 deadlines. Each succeeding review period will consist of twelve (12) actual
18 months and four (4) estimated months. For example, the next review period will
19 consist of actual data from June 2008 through May 2009 and estimated data from
20 June 2009 through September 2009.

21 **Q. WHAT WAS THE PURPOSE OF THIS EXAMINATION?**

22 **A.** The purpose of this examination was to determine whether the
23 Company's accounting practices in computing and applying the monthly Fuel

Adjustment Clause have been in compliance with S.C. Code Ann. §58-27-865 (Supp. 2007) which includes variable environmental costs. To accomplish this task, ORS examined the components associated with the operation of the clause.

Q. WHAT WAS THE SCOPE OF ORS'S EXAMINATION?

A. ORS Audit Staff examined and traced the monthly fuel adjustment factor calculations and the fuel recovery balances recorded in the Company's books and records. The current fuel review covered the actual period of July 2007 through May 2008 and four (4) estimated months from June to September 2008. ORS Audit Staff did not examine the months of June, July, August, and September 2008 since these were Company estimated figures. The Audit Department's examination consisted of:

1. Analyzing the Fuel Stock Account- Account #151

ORS's analysis of the Fuel Stock Account consisted of tracing receipts to the fuel management system and issues from the fuel management system to the general ledger, examining monthly fuel charges originating in fuel accounting, and ensuring that only proper charges were entered in the Company's computation of fuel costs for purposes of adjusting base rates for fuel costs.

2. Sampling Receipts to the Fuel Stock Account- Account #151

ORS's review of the Fuel Stock Account consisted of the examination and testing of randomly selected transactions, on a sample basis, which support additions to the account. Each transaction examined was tested for mathematical accuracy, and vouched to a corresponding waybill or truck bill, supplier invoice and freight

1 invoice. Each transaction was then traced to a fuel management system payment
2 voucher to prove payment of the correct amount to the vendors.

3 3. Verifying Charges to Nuclear Fuel Expense- Account #518

4 ORS traced the expense amounts for nuclear fuel to the books and records for the
5 period July 2007 through May 2008 to verify the accuracy of the expenses to fuel
6 amortization schedules.

7 4. Verifying Purchased and Interchange Power Fuel Costs

8 ORS verified the Company's Purchased and Interchange Power Fuel Costs, MWh
9 purchases and sales for the period July 2007 through May 2008 to "Intersystem
10 Transaction Summary" reports. Purchases, Sales and Interchange Power
11 schedules, and on a sample basis, to monthly invoices. ORS recomputed the
12 Company's sales and purchases.

13 ORS revised Purchased and Interchange Power figures for the period July 2007
14 through May 2008 and the resultant over/under-recovery monthly deferred fuel
15 amounts for the period to reflect calculations which conform to S.C. Code Ann.
16 §58-27-865 (Supp. 2007). This statute addresses "fuel costs related to purchased
17 power." Subsection (A)(2)(b) of this statute states that the total delivered cost of
18 economy purchases, including (but not limited to) transmission charges, are
19 included in Purchased Power Costs if those purchases are "less than the
20 purchasing utility's avoided variable costs for the generation of an equivalent
21 quantity of electric power."

22 5. Verifying kWh Sales

1 ORS verified total system kWh sales, as filed in the monthly fuel factor
2 computation, for the months of July 2007 through May 2008. This monthly figure
3 was then used to determine the fuel cost per kWh sold.

4 6. Recalculating the Fuel Adjustment Factors and Verifying the Deferred Fuel
5 Costs

6 ORS recalculated the Fuel Cost Adjustment Factors for the months of July 2007
7 through May 2008 utilizing information obtained from the Company's records.
8 ORS verified the Total Fuel Costs for the months of July 2007 through May 2008
9 to the Company's books and records. In recalculating the monthly factors, ORS
10 divided the Total Fuel Costs by Total System Sales to arrive at fuel costs per kWh
11 sales. The base fuel cost per kWh, included in the base rates, is then subtracted
12 from the fuel cost per kWh sales. The resulting figure represents the fuel cost
13 adjustment above or below the base rate per kWh sales. The South Carolina Retail
14 Jurisdictional kWh deferrals were checked against the Company's records. The
15 actual Deferred Fuel Costs for each month were verified to the Company's books
16 and records.

17 7. Recalculating the True-up for the Over/(Under)-Recovered Fuel Costs

18 ORS analyzed and recomputed the cumulative (under)-recovery of actual fuel
19 costs for the period July 2007 through May 2008 of (\$11,889,851) and estimated
20 fuel costs through September 2008 of (\$63,367,797). In addition, ORS
21 recomputed the cumulative (under)-recovery of actual environmental fuel costs
22 for the period July 2007 through May 2008 of (\$335,945) and the cumulative

over-recovery of estimated environmental fuel costs through September 2008 of \$3,497,356.

8. Details of the Company's Received Fuel Coal Cost

ORS prepared exhibits based upon information obtained from DEC's books and records and other sources reflecting coal costs during the review period. Specifically, these exhibits are as follows:

Audit Exhibit RAL-1: Coal Cost Statistics

Audit Exhibit RAL-2: Received Coal-Cost Per Ton Comparison

Q. PLEASE EXPLAIN THE AUDIT EXHIBITS ATTACHED TO YOUR TESTIMONY.

A. ORS prepared audit exhibits from the Company's books and records reflecting fuel costs during the review period. Specifically, these exhibits include the following:

AUDIT EXHIBIT RAL-1: COAL COST STATISTICS

In Audit Exhibit RAL-1, titled Coal Cost Statistics, ORS listed spot and contract coal received, separately and combined, for the period July 2007 through May 2008. The comparison is made in the following five (5) areas:

(1) Tons Received

(2) Percentage of Total Tons Received

(3) Total Received Cost

(4) Received Cost Per Ton

(5) Cost Per MBTU

1 ORS has taken the combined total received cost for the eleven (11) months and
2 divided this by the combined total tons for the eleven (11) months in arriving at a
3 Weighted Average Cost per ton for the eleven (11) month period.

4 **AUDIT EXHIBIT RAL-2: RECEIVED COAL - COST PER TON**
5 **COMPARISON**

6 This audit exhibit reflects the received cost per ton for coal for each month from
7 July 2007 through May 2008 for DEC, Carolina Power & Light Company d/b/a
8 Progress Energy Carolinas, Inc. and South Carolina Electric & Gas Company.
9 ORS has shown, for comparison purposes, the invoice cost per ton, freight cost
10 per ton, total cost per ton and the cost per MBTU.

11 **AUDIT EXHIBIT RAL-3: DETAIL OF NUCLEAR COST**

12 This audit exhibit reflects in detail, the two components in total nuclear costs.
13 These components are as follows:

14 (1) Burn-up Cost

15 (2) Disposal Cost

16 **AUDIT EXHIBIT RAL-4: TOTAL BURNED COST (FOSSIL AND**
17 **NUCLEAR)**

18 This audit exhibit reflects the per book cost of burned fuel used for generation
19 during the period July 2007 through May 2008. The burned cost of each class of
20 fuel is shown separately. The SO₂ emission allowance expenses and other variable
21 environmental costs are shown separately as described in §58-27-865
22 (A)(1)(Supp. 2007).

23 **AUDIT EXHIBIT RAL-5: COST OF FUEL**

1 This audit exhibit reflects ORS's computation of the total fuel cost applicable to
2 the factor computation. There are three (3) components used in arriving at this
3 cost. These components are:

- 4 (1) Cost of Fuel Burned;
5 (2) Purchased and Interchange Power Fuel Cost; and
6 (3) Fuel Cost Recovered from Intersystem Sales.

7 Cost of Fuel Burned--- This amount is the burned cost of all fossil and nuclear fuel
8 burned during the review period used in the Base Fuel Component computation.
9 A detailed breakdown of coal, oil, gas and nuclear fuel can be seen in Audit
10 Exhibit RAL-4.

11 Purchase and Interchange Power Fuel Cost--- This amount is the monthly cost of
12 kilowatt hours received by DEC from other electric utilities or power marketers.

13 Fuel Cost Recovered from Intersystem Sales--- This amount is the fuel related
14 cost of kWh's sold during the period to another electric utility and/or power
15 marketer. Total fuel cost applicable to the Base Fuel Component Factor is
16 computed by adding the cost of fuel burned to purchased and interchange power
17 fuel costs. This amount is then reduced by fuel associated with intersystem sales.

18 **AUDIT EXHIBIT RAL-6: S.C. RETAIL COMPARISON OF FUEL**
19 **REVENUES AND EXPENSES**

20 Shown in this audit exhibit are the actual fuel cost computations for July 2007
21 through May 2008 and the estimated fuel costs for June, July, August and
22 September 2008.

1 The exhibit also shows the computation of the cumulative over/(under)-recovery
2 balances and the S.C. portion of the Purchased Power expenses for July 2007
3 through May 2008.

4 **AUDIT EXHIBIT RAL-7: TOTAL ENVIRONMENTAL COSTS**

5 Shown in this audit exhibit are the total environmental costs for July 2007 through
6 May 2008 for sulfur dioxide (SO₂) and nitrogen oxides (NO_x) emission
7 allowances, limestone, ammonia, urea and dibasic acid.

8 **AUDIT EXHIBIT RAL-8: DETAILS OF ENVIRONMENTAL COSTS**

9 Shown in this audit exhibit is the actual fuel cost computation for July 2007
10 through May 2008 for sulfur dioxide (SO₂) and nitrogen oxides (NO_x) emission
11 allowances, limestone, ammonia, dibasic acid, urea and the estimated variable
12 environmental costs for June, July, August and September 2008.

13 **Q. WOULD YOU PLEASE EXPLAIN THE AMOUNT BROUGHT**
14 **FORWARD AND THE TRUE-UP OF THE CUMULATIVE (UNDER)-**
15 **RECOVERY BALANCE IN AUDIT EXHIBIT RAL-6?**

16 **A.** Yes. As reflected in Endnote (1) in Audit Exhibit RAL-6, ORS brought
17 forward a cumulative over-recovery balance from June 2007 of \$1,632,482. The
18 Company's testimony (Revised McManeus Exhibit 5) reflects an over-recovery
19 balance brought forward from June 2007 of \$9,055,000 and a September 2007
20 (under)-recovery adjustment of (\$7,422,000). DEC's two figures together true-up
21 to the ORS beginning balance. DEC's adjustment reflects the Company's posting
22 of ORS's true-up adjustments from the prior review period, Docket No. 2007-3-E.
23 DEC's figures are reflected on a rounded basis for testimony purposes.

Q. PLEASE ELABORATE ON ORS AUDIT STAFF'S COMPUTATION OF THE TRUE-UP OF OVER/(UNDER)-RECOVERED FUEL COSTS.

A. ORS Audit Exhibit RAL-6, entitled "S.C. Retail Comparison of Fuel Revenues and Expenses" provides details for ORS's calculation of the actual cumulative (under)-recovery balance through May 2008, and the estimated balance through September 2008. The cumulative (under)-recovery amount totaled (\$11,889,851) through May 2008. ORS then added the estimated (under)-recovery of (\$26,619,460) for June 2008, the estimated (under)-recovery of (\$9,653,106) for July 2008, the estimated (under)-recovery of (\$12,461,907) for August 2008 and the estimated (under)-recovery of (\$2,743,473) for September 2008 to arrive at a cumulative (under)-recovery of (\$63,367,797) through September 2008. The Company's pre-filed testimony (Revised McManeus Exhibit 5) in this docket lists the cumulative (under)-recovery total through May 2008 as (\$11,888,000) and through September 2008, the (under)-recovery totals (\$63,365,000). The difference between the Company's and ORS's cumulative (under)-recovery as of actual May 2008 is (\$1,851) due to the Company's rounding for testimony purposes.

Q. WOULD YOU PLEASE EXPLAIN THE BALANCE BROUGHT FORWARD FOR THE CUMULATIVE (UNDER)-RECOVERY BALANCE IN AUDIT EXHIBIT RAL-8?

A. Yes. As reflected in endnote (3) in Audit Exhibit RAL-8, ORS brought forward a cumulative (under)-recovery balance from June 2007 of (\$2,294,535). The Company's testimony (McManeus Exhibit 7) reflects a cumulative (under)-

1 recovery balance brought forward from June 2007 of (\$2,295,000). The difference
2 in the balance of (\$465) is due to the Company's rounding for testimony
3 purposes.

4 **Q. PLEASE ELABORATE ON ORS AUDIT STAFF'S COMPUTATION OF**
5 **THE TRUE-UP OF OVER/(UNDER)-RECOVERED ENVIRONMENTAL**
6 **COSTS.**

7 **A.** Effective with the May 3, 2007 passage of the S.C. Base Load Review
8 Act, S.C. Code Ann. §58-27-865 was amended to include, as components of fuel
9 cost, "(a) the cost of ammonia, lime, limestone, urea, dibasic acid, and catalysts
10 consumed in reducing or treating emissions, and (b) the cost of emission
11 allowances, as used, including allowances for SO₂, NO_x, mercury and
12 particulates." Audit Exhibit RAL-8, entitled "Details of Environmental Costs",
13 provides the details needed to calculate the variable environmental costs included
14 in the fuel factor. In addition, effective May 3, 2007, SO₂ emission allowances
15 were included in the environmental cost factor of the FAC. Prior to that date,
16 these costs had been included in the base fuel factor under the FAC.

17 ORS Audit Exhibit RAL-8 provides data for ORS's cumulative environmental
18 cost (under)-recovery balance through May 2008, and the estimated cumulative
19 over-recovery balance through September 2008. The cumulative environmental
20 cost (under)-recovery amount totaled (\$335,945) through May 2008. ORS then
21 added the estimated over-recovery of \$328,151 for June 2008, the estimated over-
22 recovery of \$1,477,864 for July 2008, the estimated over-recovery of \$430,324
23 for August 2008 and the estimated over-recovery of \$1,596,962 for September

2008 to arrive at a cumulative over-recovery of \$3,497,356 through September 2008. The Company's prefiled testimony (McManeus Exhibit 7) in this docket lists the cumulative environmental cost over-recovery total through September 2008 as \$3,497,000. The difference between the Company's and ORS's cumulative over-recovery as of estimated September 2008 totals \$356. This difference is due to the Company's rounding for testimony purposes.

Q. WHAT IS ORS's COMBINED TOTAL OF THE BASE FUEL COST AND ENVIRONMENTAL COST COMPONENTS AS OF ACTUAL MAY 2008 AND AS OF ESTIMATED SEPTEMBER 2008?

A. As of May 2008, based on a Base Fuel Cost component of (\$11,889,851) and an Environmental Cost component of (\$335,945), the combined (under)-recovery balance totals (\$12,225,796). As of September 2008, based on a Base Fuel Cost component of (\$63,367,797) and an Environmental Cost component of \$3,497,356, the resultant (under)-recovery balance totals (\$59,870,441).

Q. WOULD YOU PLEASE EXPLAIN ENDNOTE (2) TO AUDIT EXHIBIT RAL-6?

A. Endnote (2) reflects ORS revised Purchased Power figures for July 2007 through May 2008 and the resultant over/(under)-recovery monthly deferred fuel amounts for that period in conformity with S.C. Ann. §58-27-865 (Supp. 2007), as previously stated. DEC reflects its Purchased Power figures that contain purchases with non-identifiable fuel costs on a N.C. Fuel Clause basis, which uses a percentage-computed fuel proxy. Identifiable fuel costs are recorded as invoiced or as documented. In order to comply with the South Carolina Statute, DEC

adjusted its Purchased Power costs for the review period to reflect the purchase costs allowable under the South Carolina Fuel Adjustment Clause. Therefore, after DEC applied this statute to its economic purchases, DEC's adjustment increased its Purchased Power Costs of \$92,333,680 for the review period, on a total system—native load basis by \$41,271,693, which results in "as adjusted" Purchased Power Costs of \$133,605,373. As shown on Audit Exhibit RAL-6 (p. 3 of 3), Purchased Power Costs on a South Carolina retail jurisdictional basis total \$35,661,350. This figure reflects the usage of a purchase price as a lesser price, at that point in time, over an avoided cost. ORS examined and recomputed these costs with no exceptions noted.

Q. DID YOU NOTE ANY DIFFERENCES BETWEEN ORS'S AND THE COMPANY'S CALCULATIONS OF THE (UNDER)-COLLECTION FOR THE FUEL COMPONENT AND THE ENVIRONMENTAL COMPONENT AS OF MAY 2008?

A. Yes. Based on ORS's examination of the actual months of the review period, ORS computed an adjustment as reflected in Audit Exhibit RAL-8-Details of Environmental Costs as follows:

Endnote (4): During the month of July 2007, the Company realized a gain on the sale of NOx allowances of \$5,000, on a total system basis, that was not reflected in its monthly PSC Fuel Filing. ORS recomputed the amount applicable on a South Carolina retail jurisdictional basis to be an over-recovery of \$1,370.

Q. WHAT IS THE RESULT OF THE ORS AUDIT DEPARTMENT'S EXAMINATION?

1 **A.** Based on ORS Audit Staff's examination of the Company's books and
2 records, and its operation of the fuel cost recovery mechanism, ORS Audit
3 Department is of the opinion that, subject to endnotes (2) and (4), the Company's
4 books and records accurately reflect the fuel costs incurred by the Company in
5 accordance with previous Commission orders and with S.C. Code Ann. §58-27-
6 865 (Supp. 2007).

7 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

8 **A.** Yes, it does.

Duke Energy Carolinas, LLC
Coal Cost Statistics
July 2007 - May 2008
Docket No. 2008-3-E

Spot					
<u>Month</u>	<u>Tons Received</u>	<u>Percentage of Received</u>	<u>Total Received Cost</u>	<u>Received Cost Per Ton</u>	<u>Cost Per MBTU</u>
	Tons	%	\$	\$	\$
Jul-07	40,708	5.01%	2,249,167	55.25	2.3283
Aug-07	65,241	6.79%	4,254,209	65.21	2.6427
Sep-07	75,474	8.54%	5,114,569	67.77	2.7900
Oct-07	148,691	17.71%	9,516,476	64.00	2.6385
Nov-07	174,443	19.53%	10,788,858	61.85	2.5707
Dec-07	88,820	8.90%	5,581,758	62.84	2.6140
Jan-08	152,120	10.73%	10,302,980	67.73	2.8229
Feb-08	100,891	7.27%	7,301,276	72.37	2.9621
Mar-08	89,034	6.40%	6,579,729	73.90	3.0048
Apr-08	144,795	11.37%	12,767,961	88.18	3.6998
May-08	181,941	11.46%	16,559,373	91.02	3.8394
Totals (7/07- 5/08)	<u>1,262,158</u>		<u>91,016,356</u>		

Contract					
<u>Month</u>	<u>Tons Received</u>	<u>Percentage of Received</u>	<u>Total Received Cost</u>	<u>Received Cost Per Ton</u>	<u>Cost Per MBTU</u>
	Tons	%	\$	\$	\$
Jul-07	771,321	94.99%	50,545,299	65.53	2.6842
Aug-07	895,183	93.21%	57,403,415	64.12	2.6334
Sep-07	807,935	91.46%	54,728,021	67.74	2.7995
Oct-07	690,667	82.29%	45,655,148	66.10	2.7413
Nov-07	718,611	80.47%	47,709,939	66.39	2.7569
Dec-07	908,729	91.10%	59,743,168	65.74	2.7876
Jan-08	1,265,105	89.27%	82,496,934	65.21	2.6594
Feb-08	1,286,030	92.73%	83,728,123	65.11	2.6533
Mar-08	1,301,282	93.60%	84,152,334	64.67	2.6664
Apr-08	1,129,053	88.63%	72,968,757	64.63	2.6687
May-08	1,405,831	88.54%	92,288,293	65.65	2.6921
Totals (7/07- 5/08)	<u>11,179,747</u>		<u>731,419,431</u>		

Duke Energy Carolinas, LLC
Coal Cost Statistics
July 2007 - May 2008
Docket No. 2008-3-E

Combined					
<u>Month</u>	<u>Tons Received</u>	<u>Percentage of Received</u>	<u>Total Received Cost</u>	<u>Received Cost Per Ton</u>	<u>Cost Per MBTU</u>
	Tons	%	\$	\$	\$
Jul-07	812,029	100.00%	52,794,466	65.02	2.7274
Aug-07	960,424	100.00%	61,657,624	64.20	2.8206
Sep-07	883,409	100.00%	59,842,590	67.74	3.1713
Oct-07	839,358	100.00%	55,171,624	65.73	2.6406
Nov-07	893,054	100.00%	58,498,797	65.50	2.7574
Dec-07	997,549	100.00%	65,324,926	65.49	2.7407
Jan-08	1,417,225	100.00%	92,799,914	65.48	2.9813
Feb-08	1,386,921	100.00%	91,029,399	65.63	2.7907
Mar-08	1,390,316	100.00%	90,732,063	65.26	2.9194
Apr-08	1,273,848	100.00%	85,736,718	67.31	2.9138
May-08	1,587,772	100.00%	108,847,666	68.55	2.9396
Totals (7/07- 5/08)	<u>12,441,905</u>		<u>822,435,787</u>		

<u>Total Received Cost</u>	=	\$	<u>822,435,787</u>	=	\$	<u>66.10</u>
<u>Total Tons Received</u>			<u>12,441,905</u>			

Duke Energy Carolinas, LLC
Received Coal - Cost Per Ton Comparison
July 2007 - May 2008
Docket No. 2008-3-E

Duke Energy Carolinas, LLC

<u>Month</u>	<u>Invoice Cost</u> <u>Per Ton</u>	<u>Freight Cost</u> <u>Per Ton</u>	<u>Total Cost</u> <u>Per Ton</u>	<u>Cost</u> <u>Per MBTU</u>
	\$	\$	\$	\$
Jul-07	45.61	20.88	66.49	2.7274
Aug-07	45.76	22.99	68.75	2.8206
Sep-07	45.28	31.48	76.76	3.1713
Oct-07	44.55	19.19	63.74	2.6406
Nov-07	45.29	21.10	66.39	2.7574
Dec-07	41.35	24.60	65.95	2.7407
Jan-08	46.99	25.94	72.93	2.9813
Feb-08	46.02	22.44	68.46	2.7907
Mar-08	45.76	25.11	70.87	2.9194
Apr-08	48.24	22.20	70.44	2.9138
May-08	48.74	22.71	71.45	2.9396

Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc.

<u>Month</u>	<u>Invoice Cost</u> <u>Per Ton</u>	<u>Freight Cost</u> <u>Per Ton</u>	<u>Total Cost</u> <u>Per Ton</u>	<u>Cost</u> <u>Per MBTU</u>
	\$	\$	\$	\$
Jul-07	53.83	19.62	73.45	2.9558
Aug-07	53.42	19.72	73.14	2.9523
Sep-07	52.93	20.25	73.18	2.9489
Oct-07	54.17	20.81	74.98	3.0117
Nov-07	55.96	20.77	76.73	3.0930
Dec-07	48.22	20.42	68.64	2.7730
Jan-08	53.87	22.08	75.95	3.0739
Feb-08	51.08	22.33	73.41	2.9790
Mar-08	55.19	23.00	78.19	3.1880
Apr-08	54.75	22.96	77.71	3.1620
May-08	58.15	24.81	82.96	3.3845

Duke Energy Carolinas, LLC
Received Coal - Cost Per Ton Comparison
July 2007 - May 2008
Docket No. 2008-3-E

South Carolina Electric & Gas Company

<u>Month</u>	<u>Invoice Cost</u> <u>Per Ton</u>	<u>Freight Cost</u> <u>Per Ton</u>	<u>Total Cost</u> <u>Per Ton</u>	<u>Cost</u> <u>Per MBTU</u>
	\$	\$	\$	\$
Jul-07	50.73	14.02	64.75	2.5673
Aug-07	51.36	12.24	63.60	2.5205
Sep-07	49.60	13.04	62.64	2.4803
Oct-07	48.41	13.63	62.04	2.4434
Nov-07	50.41	12.43	62.84	2.4834
Dec-07	51.09	13.37	64.46	2.5673
Jan-08	49.57	14.38	63.95	2.5329
Feb-08	50.13	19.01	69.14	2.7474
Mar-08	53.19	13.99	67.18	2.6800
Apr-08	52.24	14.98	67.22	2.6700
May-08	50.78	15.97	66.75	2.6500

Duke Energy Carolinas, LLC
Detail of Nuclear Cost
July 2007 - May 2008
Docket No. 2008-3-E

<u>Month</u>	<u>Burn-up Cost</u>	<u>Disposal Cost</u>	<u>Total Nuclear Cost</u>
	\$	\$	\$
Jul-07	13,205,136	3,611,307	16,816,443
Aug-07	13,203,296	3,532,450	16,735,746
Sep-07	12,670,479	3,361,264	16,031,743
Oct-07	11,369,218	3,346,859	14,716,077
Nov-07	10,528,122	2,860,378	13,388,500
Dec-07	11,243,229	3,245,748	14,488,977
Jan-08	12,494,456	3,635,876	16,130,332
Feb-08	11,542,191	3,406,849	14,949,040
Mar-08	9,202,476	2,657,930	11,860,406
Apr-08	9,040,898	2,561,710	11,602,608
May-08	10,396,682	2,913,044	13,309,726
Total	<u>124,896,183</u>	<u>35,133,415</u>	<u>160,029,598</u>

Duke Energy Carolinas, LLC
Total Burned Cost (Fossil and Nuclear)
July 2007 - May 2008
Docket No. 2008-3-E

Month	Coal		#2 Oil	Gas		Nuclear		Total Burned	
	\$	%	\$	\$	%	\$	%	Cost	%
Jul-07	109,482,676	82.59%	1,443,705	4,818,613	3.63%	16,816,443	12.69%	132,561,437	
Aug-07	118,107,838	63.66%	1,150,779	49,526,434	26.70%	16,735,746	9.02%	185,520,797	
Sep-07	109,697,611	87.28%	831,860	(877,638)	-0.70%	16,031,743	12.76%	125,683,576	
Oct-07	109,848,342	86.48%	1,102,723	1,360,697	1.07%	14,716,077	11.58%	127,027,839	
Nov-07	106,627,164	88.04%	1,092,626	8,086	0.01%	13,388,500	11.05%	121,116,376	
Dec-07	77,147,416	82.07%	1,724,912	638,368	0.68%	14,488,977	15.41%	93,999,673	
Jan-08	110,208,463	84.43%	4,026,596	165,920	0.13%	16,130,332	12.36%	130,531,311	
Feb-08	102,770,060	86.16%	1,406,860	148,225	0.13%	14,949,040	12.53%	119,274,185	
Mar-08	111,471,353	88.97%	1,844,803	118,011	0.09%	11,860,406	9.47%	125,294,573	
Apr-08	90,924,498	87.07%	1,790,398	110,104	0.11%	11,602,608	11.11%	104,427,608	
May-08	120,284,549	88.62%	2,034,301	96,717	0.07%	13,309,726	9.81%	135,725,293	
Totals	1,166,569,970	83.26%	18,449,563	56,113,537	4.00%	160,029,598	11.42%	1,401,162,668	

Duke Energy Carolinas, LLC
 Cost of Fuel
 July 2007 - May 2008
 Docket No. 2008-3-E

<u>Month</u>	<u>Total Cost of Fuel</u> <u>Burned</u> \$	<u>Purchased and</u> <u>Interchange Power Fuel</u> <u>Cost</u> \$	<u>Fuel Cost Recovered</u> <u>from Intersystem Sales</u> \$	<u>Total Fuel Cost</u> \$
Jul-07	132,561,437	11,143,197	(7,993,402)	135,711,232
Aug-07	185,520,797	49,091,815	(9,310,725)	225,301,887
Sep-07	125,683,576	16,354,731	(6,629,228)	135,409,079
Oct-07	127,027,839	4,195,474	(16,612,885)	114,610,428
Nov-07	121,116,376	4,374,613	(12,433,983)	113,057,006
Dec-07	93,999,673	7,038,296	(12,824,013)	88,213,956
Jan-08	130,531,311	13,784,765	(12,938,113)	131,377,963
Feb-08	119,274,185	5,191,268	(26,593,809)	97,871,644
Mar-08	125,294,573	6,657,820	(24,423,778)	107,528,615
Apr-08	104,427,608	11,640,723	(8,884,353)	107,183,978
May-08	135,725,293	4,132,671	(16,608,842)	123,249,122
Total	1,401,162,668	133,605,373	(155,253,131)	1,379,514,910

Duke Energy Carolinas, LLC
S.C. Retail Comparison of Fuel Revenues & Expenses
July 2007 - September 2008
Docket No. 2008-3-E

	ACTUAL									
	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08		
Fossil Fuel (\$)	115,744,994	168,785,051	109,651,833	112,311,762	107,727,876	79,510,696	114,400,979	104,325,145		
Nuclear Fuel (\$)	16,816,443	16,735,746	16,031,743	14,716,077	13,388,500	14,488,977	16,130,332	14,949,040		
Purchased & Interchange Power (\$)	(2)	49,091,815	16,354,731	4,195,474	4,374,613	7,038,296	13,784,765	5,191,268		
Sub-Total (\$)	143,704,634	234,612,612	142,038,307	131,223,313	125,490,989	101,037,969	144,316,076	124,465,453		
Less: Fuel Cost Recovered through Intersystem Sales (\$)	7,993,402	9,310,725	6,629,228	16,612,885	12,433,983	12,824,013	12,938,113	26,593,809		
Total Fuel Costs (\$)	135,711,232	225,301,887	135,409,079	114,610,428	113,057,006	88,213,956	131,377,963	97,871,644		
Total System kWh Sales Excluding Intersystem Sales	7,279,072,000	7,854,583,000	8,111,419,000	6,622,139,000	6,188,442,000	6,264,209,000	7,056,123,000	7,032,471,000		
\$/kWh Sales	0.018644	0.028684	0.016694	0.017307	0.018269	0.014082	0.018619	0.013917		
Less: Base Sales (\$/kWh)	0.018187	0.018187	0.018187	0.017457	0.017457	0.017457	0.017457	0.017457		
Fuel Adjustment Per kWh (\$/kWh)	(0.000457)	(0.010497)	0.001493	0.000150	(0.000812)	0.003375	(0.001162)	0.003540		
S.C. kWh Sales (000's)	1,993,647	2,099,492	2,176,337	1,750,923	1,668,270	1,708,122	1,854,160	1,838,977		
Over/(Under) Recovery (\$)	(911,097)	(22,038,368)	3,249,271	262,638	(1,354,635)	5,764,912	(2,154,534)	5,509,979		
Cumulative Over/(Under) Recovery - June 2007 (\$)	(1)									
Cumulative Over/(Under) Recovery this Period (\$)	721,385	(21,316,983)	(18,067,712)	(17,805,074)	(19,159,709)	(13,394,797)	(15,549,331)	(9,039,352)		

Please Note:
In Audit Exhibit RAL-6, ORS reflects Over-Recovery amounts without parentheses and reflects (Under)-Recovery amounts with parentheses.

Duke Energy Carolinas, LLC
S.C. Retail Comparison of Fuel Revenues & Expenses
July 2007 - September 2008
Docket No. 2008-3-E

	ACTUAL				ESTIMATED			
	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	
Fossil Fuel (\$)	113,434,167	92,825,000	122,415,567	173,687,000	151,855,000	140,358,000	130,614,000	
Nuclear Fuel (\$)	11,860,406	11,602,608	13,309,726	13,498,000	16,772,000	16,772,000	14,992,000	
Purchased & Interchange Power (\$)	6,657,820	11,640,723	4,132,671	50,961,000	13,128,000	38,968,000	10,157,000	(2)
Sub-Total (\$)	131,952,393	116,068,331	139,857,964	238,146,000	181,755,000	196,098,000	155,763,000	
Less: Fuel Cost Recovered through Intersystem Sales (\$)	24,423,778	8,884,353	16,608,842	15,922,000	12,287,000	7,611,000	9,797,000	
Total Fuel Costs (\$)	107,528,615	107,183,978	123,249,122	222,224,000	169,468,000	188,487,000	145,966,000	
Total System kWh Sales Excluding Intersystem Sales	6,470,728,000	6,117,040,000	6,159,691,000	7,039,850,000	7,598,021,000	8,080,925,000	7,766,398,000	
\$/kWh Sales	0.016618	0.017522	0.020009	0.031567	0.022304	0.023325	0.018795	
Less: Base Sales (\$/kWh)	0.017457	0.017457	0.017457	0.017457	0.017457	0.017457	0.017457	
Fuel Adjustment Per kWh (\$/kWh)	0.000839	(0.000065)	(0.002552)	(0.014110)	(0.004847)	(0.005868)	(0.001338)	
S.C. kWh Sales (000's)	1,667,287	1,631,941	1,623,541	1,886,567	1,991,563	2,123,706	2,050,428	
Over/(Under) Recovery (\$)	1,398,854	(106,076)	(4,143,277)	(26,619,460)	(9,653,106)	(12,461,907)	(2,743,473)	
Cumulative Over/(Under) Recovery - 02/08 (p.1 of 3) (\$)	(9,039,352)							
Cumulative Over/(Under) Recovery this Period (\$)	(7,640,498)	(7,746,574)	(11,889,851)	(38,509,311)	(48,162,417)	(60,624,324)	(63,367,797)	

Please Note:

In Audit Exhibit RAL-6, ORS reflects Over-Recovery amounts without parentheses and reflects (Under)-Recovery amounts with parentheses.

Duke Energy Carolinas, LLC
Purchased Power Expense -- S.C. Portion
July 2007 - May 2008
Docket No. 2008-3-E

<u>Month</u>	<u>System Basis Total P.P. Expense</u>	<u>X</u>	<u>Monthly S.C. Allocation Factor</u>	<u>=</u>	<u>P.P. Exp.--S.C. Retail Jurisdictional</u>
	\$				\$
Jul-07	11,143,197		27.39%		3,052,122
Aug-07	49,091,815		26.73%		13,122,242
Sep-07	16,354,731		26.83%		4,387,974
Oct-07	4,195,474		26.44%		1,109,283
Nov-07	4,374,613		26.96%		1,179,396
Dec-07	7,038,296		27.27%		1,919,343
Jan-08	13,784,765		26.28%		3,622,636
Feb-08	5,191,268		26.15%		1,357,517
Mar-08	6,657,820		25.77%		1,715,720
Apr-08	11,640,723		26.68%		3,105,745
May-08	4,132,671		26.36%		1,089,372
Total	<u>133,605,373</u>				<u>35,661,350</u>
			<u>26.63%</u>		

Note:

Monthly S.C. Allocation Factor= S.C. kWh Sales divided by Total System kWh Sales

Duke Energy Carolinas, LLC
Total Environmental Costs
July 2007 - May 2008
Docket No. 2008-3-E

Used for Environmental Cost Factor:

<u>Month</u>	<u>SO₂ & NO_x</u>		<u>Limestone</u>		<u>Ammonia</u>		<u>Urea & Dibasic Acid</u>		<u>Total Environmental Costs</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Jul-07	1,915,087	63.63%	354,029	11.76%	463,944	15.42%	276,435	9.19%	3,009,495	
Aug-07	1,591,689	46.79%	535,920	15.76%	480,403	14.12%	793,740	23.33%	3,401,752	
Sep-07	1,618,647	51.96%	318,999	10.24%	622,521	19.98%	555,123	17.82%	3,115,290	
Oct-07	1,641,599	52.90%	492,394	15.87%	734,357	23.66%	234,970	7.57%	3,103,320	
Nov-07	1,550,170	65.08%	417,570	17.53%	68,403	2.87%	345,880	14.52%	2,382,023	
Dec-07	994,579	55.02%	281,952	15.60%	127,523	7.05%	403,672	22.33%	1,807,726	
Jan-08	266,827	16.81%	504,212	31.77%	689,938	43.48%	125,927	7.94%	1,586,904	
Feb-08	155,554	12.88%	455,435	37.71%	411,910	34.11%	184,702	15.30%	1,207,601	
Mar-08	289,029	12.21%	652,972	27.58%	529,656	22.37%	895,737	37.84%	2,367,394	
Apr-08	163,524	11.73%	517,715	37.14%	343,354	24.63%	369,313	26.50%	1,393,906	
May-08	185,499	11.10%	886,033	53.01%	46,539	2.78%	553,436	33.11%	1,671,507	
TOTALS	10,372,204	41.41%	5,417,231	21.63%	4,518,548	18.04%	4,738,935	18.92%	25,046,918	

Duke Energy Carolinas, LLC
Details of Environmental Costs
July 2007 - September 2008
Docket No. 2008-3-E

	Actual						
	<u>Jul-07</u>	<u>Aug-07</u>	<u>Sep-07</u>	<u>Oct-07</u>	<u>Nov-07</u>	<u>Dec-07</u>	<u>Jan-08</u>
<u>Environmental Costs Incurred</u>							
<u>Emission Allowances (\$)</u>							
Limestone (\$)	1,915,087	1,591,689	1,618,647	1,641,599	1,550,170	994,579	266,827
Ammonia (\$)	354,029	535,920	318,999	492,394	417,570	281,952	504,212
Dibasic Acid (\$)	463,944	480,403	622,521	734,357	68,403	127,523	689,938
	0	0	0	0	0	0	0
Urea (\$)	276,435	793,740	555,123	234,970	345,880	403,672	125,927
Sub-Total (\$)	3,009,495	3,401,752	3,115,290	3,103,320	2,382,023	1,807,726	1,586,904
Less: Gain on Nox Sales (\$)	662,550	90,000	1,090,280	423,420	457,085	0	2,000
Less: Inter-Company Sales (\$)	675,374	34,431	362,666	976,544	1,097,986	1,171,975	1,095,258
Net Environmental Cost (\$)	1,671,571	3,277,321	1,662,344	1,703,356	826,952	635,751	489,646
S.C. Retail MWh Sales	1,993,647	2,099,492	2,176,337	1,750,923	1,668,270	1,708,122	1,854,160
Total System MWh Sales	7,279,072	7,854,583	8,111,419	6,622,139	6,188,442	6,264,209	7,056,123
S.C. Allocation Factor of Total Environmental Costs (%)	27.39%	26.73%	26.83%	26.44%	26.96%	27.27%	26.28%
S.C. Share of Total Environmental Costs (\$)	457,843	876,028	446,007	450,367	222,946	173,369	128,679
Amount Billed to SC Customers (\$)	(851,287)	(896,483)	(929,296)	940,246	882,515	934,343	1,053,163
Over (Under) Recovery (\$)	(1,309,130)	(1,772,511)	(1,375,303)	489,879	659,569	760,974	924,484
Cumulative Over(Under) Recovery - June 2007 (\$)	(3)	(2,294,535)					
Adjustments (\$)--Over (Under) Recovery	(4)	1,370	0	0	0	0	0
Cumulative Over (Under) Recovery (\$)	(3,602,295)	(5,374,806)	(6,750,109)	(6,260,230)	(5,600,661)	(4,839,687)	(3,915,203)

Duke Energy Carolinas, LLC
Details of Environmental Costs
July 2007 - September 2008
Docket No. 2008-3-E

	Actual			Estimated		
	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08
Environmental Costs Incurred						
Emission Allowances (\$)	155,554	289,029	163,524	185,499	213,064	223,313
Limestone (\$)	455,435	652,972	517,715	886,033	1,502,966	1,589,864
Ammonia (\$)	411,910	529,656	343,354	46,539	735,445	785,265
Dibasic Acid (\$)	0	0	15,587	0	45,703	45,703
Urea (\$)	184,702	895,737	353,726	553,436	687,847	725,441
Sub-Total (\$)	1,207,601	2,367,394	1,393,906	1,671,507	3,185,025	3,369,586
Less: Gain on Nox Sales (\$)	0	0	0	0	0	4,200,000
Less: Inter-Company Sales (\$)	2,332,566	2,278,051	465,253	1,277,535	587,060	575,780
Net Environmental Cost (\$)	(1,124,965)	89,343	928,653	393,972	2,597,965	(1,406,194)
S.C. Retail MWh Sales	1,838,977	1,667,287	1,631,941	1,623,541	1,886,567	1,991,563
Total System MWh Sales	7,032,471	6,470,728	6,117,040	6,159,691	7,039,850	7,598,021
S.C. Allocation Factor of Total Environmental Costs	26.15%	25.77%	26.68%	26.36%	26.80%	26.21%
S.C. Share of Total Environmental Costs (\$)	(294,178)	23,024	247,765	103,851	696,255	(368,563)
Amount Billed to SC Customers (\$)	1,020,632	913,673	866,561	858,853	1,024,406	1,109,301
Over (Under) Recovery (\$)	1,314,810	890,650	618,796	755,002	328,151	1,477,864
Jan 2008 - (p. 1 of 2)	(3,915,203)					0
Adjustments (\$)--Over (Under) Recovery	0	0	0	0	0	0
Cumulative Over (Under) Recovery (\$)	(2,600,393)	(1,709,743)	(1,090,947)	(335,945)	(7,794)	1,470,070
						1,900,394
						3,497,356